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# CONTROLS AND THE COMPTROLLER

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HAROLD W. JOHNSTON

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THE GEORGE WASHINGTON UNIVERSITY  
NAVY GRADUATE COMPTROLLERSHIP PROGRAM

CONTROLS AND THE COMPTROLLER

by

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Commander, U. S. Navy

Prepared for

DR. A. REX JOHNSON

May 1958

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[The body of the document contains several paragraphs of text that are extremely faded and illegible. The text appears to be a formal report or letter, possibly discussing military or naval matters, given the context of the library stamp. The structure includes a header, a main body with multiple paragraphs, and a footer area.]



## PREFACE

"Okay, you're the Comptroller. What are you going to control?" or "What's the skipper going to do now that you're controlling everything?" are not uncommon challenges experienced by the comptroller in a newly established field activity comptroller-ship. Such challenges are often not made in jest--they result frequently from the confusion caused by the misunderstanding of what management controls actually are and in particular, what their relationship is to the comptroller.

There are many connotations of the word "control" and it is difficult to avoid the physical implications involved in the use of the word. The confusion surrounding controls and the comptroller is not unusual. The installation and implementation of new management procedures takes time. Working relationships of long standing have necessarily had to be disrupted with many methods and systems subjected to modification or elimination. There has been some resistance to this change in the techniques of financial management and quite often it has taken the form of placing emphasis on the false implication that the comptroller's control functions have usurped command prerogatives. This has tended to build a wall of resistance to the efforts of some comptrollers which has made their task more difficult and less effective.



It is the purpose of this paper to attempt to clarify the meaning of the function of control as applied to management; to illustrate the need of adequate controls in any well run operation; and to delineate utilization of controls by the comptroller in his advisory position. In so doing, the writer hopes to dispel the implications of intrusion into command areas and the "hold-down" philosophy which the pronunciation of the title of Comptroller itself implies. Finally, it is the contention of the writer that the full value of the possible contribution of the comptroller is premised upon his being an actively participating member of the top management planning team.



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## CHAPTER I

### INTRODUCTION

"Control" is a commonplace word often used interchangeably with such descriptive words as rule, govern, dominate, direct, restrain, and regulate. It also forms the base for the correct pronunciation of the title of Comptroller. It is not surprising therefore that a misconception arises as to the role of the comptroller among those unfamiliar with the actual function which he performs. This misconception is usually rectified as knowledge is gained as to his true role--a staff assistant. As such, he does not exercise control over any line function. On the contrary, he assists in the maintenance of controls exercised by the commanding officer and line management.

The comptroller advises on the financial aspects of the command and utilizes such controls as are applicable to financial management. In addition to the above synonyms, Webster's New International Dictionary defines the term "control" as being "anything affording a standard of comparison or means of verification; a check." The following discussion is based on this connotation.

#### Elements of Control

In the broad concept, control means insuring that actual



results of an operation or a phase thereof conform to the desired results. It involves three basic elements:

1. The setting of standards of satisfactory performance.
2. The checking of results in comparison with the established standards.
3. The taking of corrective action when the actual results do not meet the standards.<sup>1</sup>

The comptroller's task centers around the latter two of these basic elements and evolves into the following responsibilities: (a) measurement of progress towards objectives of a given plan, (b) continual evaluation of the soundness of a planned program as viewed in the light of current conditions, (c) the furnishing of signals by which management can be alerted to the necessity for alterations in the plan.

This is essentially an active, not a passive area of responsibility. It has its genesis in the policy decisions which are made as a result of intelligent study of the facts and figures surrounding the problem area. It can be traced to all stages of the operation. Simply stated, the requisite of control in management may be defined as recognizing, predicting, and influencing trends of important phases of an operation so that a preconceived objective may be met.

#### Limitations of a Control System

It would be well at this point to dwell briefly on the re-

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<sup>1</sup> John L. Burns, "Organization Planning by the Controller," The Controller, September 1952, p. 434



relationship between a control system and the objectives to which it is applied. A control system is no panacea for poor management. It may present a clear picture of what is going on, but that is all it can do. That is all it is designed to do. If management is faulty, a control system can only point up the causative factors; management itself must take the required corrective action to improve the situation. No set of control data will take the place of technical know-how. What it will do is highlight areas where additional know-how is needed, where things are not going as they should, thus making it possible to take corrective action much faster than could otherwise be done.



## CHAPTER II

### THE NEED FOR CONTROLS

On the sea there is a tradition older even than the traditions of the country itself. It is the tradition that with responsibility goes authority and with them both goes accountability.<sup>1</sup>

This truism is well known to the naval officer and is never questioned. The commanding officer of a combattant unit is fully cognizant of his accountability for the proper performance of his assigned mission and for the acts or omissions of his subordinates. Emphasis is rightfully on the military aspects and accountability is primarily on the commanding officer to have his command ready for any operation which he may be called upon to perform.

Ashore the military aspects of command are further complicated by the increasing size and complexity of our shore stations coupled with the need to practice stringent economy within the funds allotted. Money must be managed with the same technical skill as other functions of the command to which so much careful thought is usually given. The commanding officer must actively engage in the managing of his money, directing and controlling its use to insure that it is being used to the best

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<sup>1</sup>Navy Comptrollers Manual, Volume I, p.iii

THE UNIVERSITY OF CHICAGO  
CHICAGO, ILLINOIS

Dear Sirs:

I have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the matter of the purchase of the book of the same title as above mentioned. I have the pleasure to inform you that the book is now in the hands of the printer and will be ready for delivery in about ten days. I have also the pleasure to inform you that the book is now in the hands of the printer and will be ready for delivery in about ten days. I have also the pleasure to inform you that the book is now in the hands of the printer and will be ready for delivery in about ten days.

Very respectfully,  
J. H. [Name]

advantage. Inflationary trends of the current period complicate the management of money. The problems inherent in the maintenance of military forces in the face of increased costs of material, personal services, and other operating elements emphasize the need for a mechanism which accomplishes the proper allocation of available resources.<sup>2</sup>

### Problems Facing the Commanding Officer

The task facing the commanding officer is to develop sound policies and programs furthering the command's assigned portion of the total defense effort and then to carry out these policies and programs in the most efficient and economical manner. However, he will find that the difficulties involved in the allocation of available resources are cause for increasing concern. He is at the end of the line; the end mechanism of the complicated process of providing a defense for this country. His contribution to the defense effort is often difficult to ascertain and is cloaked in the general term of "service to the fleet." Increasingly, this contribution will be measured in terms of a common denominator--money--which provides a common measure of effort in men, materials, and services. This means using the dollar to assist in determining program priorities and using the budget and the funding process to channel effort to those functions or material areas which are most urgent and necessary.<sup>3</sup>

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<sup>2</sup>W. J. McNeil, Assistant Secretary of Defense, (Statement from an address before the Accountant's Association on October 8, 1957).

<sup>3</sup>Ibid.

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Such a concept of dollar control of operations is somewhat repugnant to the senior naval officer who has devoted his career to developing the skills and experience needed to assume command. But his years of training, including actual combat in World War II and the Korean affair, have been slanted towards an overt type action initiated by an enemy of a different ilk than the Soviet Union. The conflict in which we now find ourselves engaged is wholly unlike any other in the history of the United States--our military as well as economic power has had to be projected into world politics with unprecedented force and at astronomical costs. Thus, economic power has assumed an equality with military power with the dollar becoming as much a military tool as the rifle. The officer encountering this concept for the first time faces a certain amount of re-education. The prose of Sir Winston Churchill eloquently illuminates this mutation of the time honored concept of the problems facing a military man:

In the problems which the Almighty sets his humble servants things hardly ever happen the same way twice over, or if they seem to do so, there is some variant which stultifies undue generalization.<sup>4</sup>

The military has often faced a determined enemy. It has frequently faced stringent peacetime curtailment of funds. Sir Winston's variant applicable today is that our military has never before faced a determined enemy in a world-wide struggle coincident with a mandate to practice the utmost economy. A calculated

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<sup>4</sup>Winston S. Churchill, The Second World War, Vol. I, The Gathering Storm, (Boston: Houghton Mifflin Co. 1948), p. 476



risk must be taken between the military forces required to maintain complete readiness to repel any aggression and that which can be maintained without overstraining the American economy. A bankrupt America would effectively confirm communist propaganda that capitalism will defeat itself.

The individual commanding officer has little time to dwell on his role in the complex Defense organization; to cogitate on ways and means to defeat the published aims of the Soviets. The commanding officer's constant preoccupation is to shield his command from the attacks of circumstance. His daily round of work is as a rule, a series of facing and overcoming problems of all kinds. Our modern stations have become large and complex. The commanding officer's outlook and approach to daily problem areas must be broad and general evolving in a point of view much more general than detailed--a broad viewpoint. Size alone has dictated a departure from the type of organization where the commanding officer can take upon himself the responsibility for all ideas, decisions, and administration. He can no longer even keep in personal touch with all of the key personnel whose combined activities are responsible for the success of established goals. In financial management areas alone, he would essentially have to forfeit his ability to perform his prime function of military command if he were to personally oversee the obligation and expenditure of the vast sums of money allocated to his care. To draw a parallel with industry, one writer states:

In a large corporation today, there are comparatively few decisions that are of sufficient magnitude to be

The first of these is the fact that the system is not self-sufficient. It is dependent on the external world for its raw materials and for its energy. This is a serious disadvantage, for it means that the system is vulnerable to changes in the external world. For example, if the price of raw materials rises, the system will be forced to pay more for its inputs, and this will reduce its profitability. Similarly, if the price of energy rises, the system will be forced to pay more for its energy, and this will also reduce its profitability.

Another disadvantage of the system is that it is not very flexible. It is designed to produce a fixed output, and it is not able to adjust its output to changes in demand. This is a serious disadvantage, for it means that the system is unable to respond to changes in the market. For example, if demand for its product falls, the system will be forced to produce more than it can sell, and this will result in a loss.

There are also some advantages of the system. One advantage is that it is relatively simple. It does not require a large amount of capital, and it is easy to operate. This is a significant advantage, for it means that the system can be set up in a relatively small scale, and it can be operated by a small number of people. Another advantage is that the system is able to produce a high quality product. This is because the system is designed to produce a product that is of a high quality, and it is able to maintain this quality throughout its production process. This is a significant advantage, for it means that the system is able to produce a product that is of a high quality, and this will result in a higher price for the product.

There are also some disadvantages of the system. One disadvantage is that the system is not very efficient. It uses a lot of energy, and it produces a lot of waste. This is a significant disadvantage, for it means that the system is not very environmentally friendly. Another disadvantage is that the system is not very reliable. It is prone to breakdowns, and it is not able to produce a consistent output. This is a significant disadvantage, for it means that the system is not very reliable, and this will result in a loss of production.

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of interest to the "top brass." The bulk of the dollars that flow through these major corporate entities are involved in innumerable decisions or plans of lesser magnitude but it is such plans that by the weight of sheer volume produce the...result. The chief executive who thinks he makes such decisions is kidding himself.<sup>5</sup>

The commanding officer cannot make all decisions nor can he delegate or relinquish his responsibility for results or any portion of his accountability. It is axiomatic therefore that he establish policies and procedures which are designed to produce the performance that he requires. As in the case of any community of people, laws or standards of conduct should be established; means of insuring that these standards are being met must be effected; and an avenue made available for the taking of corrective action when deemed necessary. It can be noted that these steps are merely a re-statement of the basic elements of control, namely: (a) to set standards, (b) to compare results with standards, (c) to take corrective action when results do not meet the standards. To re-phrase an earlier sentence, it is axiomatic that the commanding officer establish controls which are designed to produce the performance that he requires.

These controls must establish the means for assuring the commanding officer that his manpower is utilized fully; that policies are stated clearly and adhered to; that established methods and procedures are efficient, up to date and consistent on a station-wide basis; that plans are carried out; and that all other steps are taken to achieve the results expected by his management

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<sup>5</sup> John V. van Pelt, "How Some Companies are Planning and Controlling Their Operations," The Controller, December 1955, p. 571



group. In addition, the commanding officer must have a way of being assured that departmental operations are coordinated and unified; that a proper system of checks and balances exists; that expenditures are made in accordance with established navy policy and are subject to proper forecasts and budgetary controls; and finally, that results are measured against carefully established standards of performance, and where variances occur, that action is taken to correct out-of-line conditions.<sup>6</sup>

This is a big order. Too big to be administered in a haphazard, time available manner. Adequate employment of these controls requires capable, full time attention by an individual well versed in the objectives of the activity and placed in a direct access status to the commanding officer. Thus, the task and the position of the comptroller is spelled out.

### Controls and the Comptroller

A surprisingly large number of controls are closely related to the comptrollers sphere of activity through the applicability of a common denominator--the dollar. As an "alter ego" of the commanding officer in financial areas, the comptroller effects the gathering of major financial controls formerly spread throughout the command into one coordinated unit. Duplication of effort, work at cross purposes, overemphasis on the importance of one function at the expense of another are reduced. The whole

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<sup>6</sup>Frank G. Lamperti and John B. Thurston, Internal Auditing for Management, (New York: Prentice-Hall, Inc. 1953), p. 4



flow and channeling of financial control data from source to directive action is coordinated under uniform guidance without extraneous motion. The comptroller provides advice to management predicated on the maintenance of a flow of facts, properly analyzed and interpreted, upon which the commanding officer can effect orderly and efficient administration and planning. The comptroller has no administrative, command, or operating responsibility--on the contrary, he performs as a coordinator of the efforts of those in the organization that do have line responsibilities. Management left on its own is unbalanced management. Each member of the management group is motivated by the surroundings of the world he lives in--these worlds supply their own standards. Decisions taken in accordance with these varied standards in many instances not only do not add to the mission but effectively insure no progress.<sup>7</sup> Someone must perform the function of balancing the amalgamation of operations with allotted funds in order to achieve the most effective results from these funds. This requirement must be accomplished whether by the commanding officer, by the department head, by organizational units scattered throughout several departments, or, as is highly desirable, by a properly designed and staffed comptrollership.

#### Elimination of Details

With satisfactory controls, the reporting of performance

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<sup>7</sup>T. F. Bradshaw, "The Place of the Controller in Management Planning and Control," The Controller, October 1952, p. 472

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against planned objectives permits the commanding officer to exercise general management and not burden himself with each operating detail. A differentiation is made here between general management and technical management. General management must be able to balance the activities of the various departments so they work smoothly as a coordinated whole. This constitutes responsibility for the general well being of the command and can be watched only from the top. Responsibility for details of an operation are inherent in technical management and can be effectively watched only from a lower echelon. The commanding officer who spends his time delving into details is just as ineffective as the department head who will not get down to details. The one does not have the time to study and solve the broad policy problems which are his proper field, and the other never understands why his department is inefficient because he does not know enough about its detailed workings. The commanding officer must insure compliance with his policies--not by becoming involved in the details, but rather by the checking of the various activities, exercising the necessary restraints, and motivating and encouraging his technical subordinates to accomplish the desired results. This control may be effected in varying degrees as when driving a car, the control exercised over the vehicle will vary from the light guiding touch on the wheel while all goes well to slamming on the brakes in a sudden emergency. So under normal conditions the control indication may remain steadily favorable and only vigilance is required--apart from the eternal quest for greater efficiency.



Summary

In a broad sense, the control media available to the commanding officer consist of the combination of procedures, methods, organization of functions, and other measures which will assist him in:

1. Keeping informed of the progress of the operations of his command.
2. Coordinating the various functions.
3. Attaining and maintaining efficient performance.
4. Ascertaining whether operations are proceeding in conformance with established policies.
5. Assuring himself that objectives are being met.

With proper utilization of the controls available to him, the commanding officer can effectively delegate the detailed workings of his command to his subordinates thus freeing himself for more important matters. This is advantageous from another aspect also--the subordinates are given the opportunity for growth and the assumption of greater responsibility. Problems can be handled at that level in the organization where occurring without interference from the "indispensable" type of commanding officer who concerns himself with the smallest details.



## CHAPTER III

### CONTROLS UTILIZED BY THE COMPTROLLER

The prime criterion of effective performance by a comptroller...is his ability to assist his Commanding Officer in the efficient, economical, and timely attainment of assigned missions.<sup>1</sup>

It is difficult to visualize any activity being efficient, economical, or timely without the employment of control mechanisms--to accomplish all three of these desirable attributes without controls is comparable to successfully flying a conventional airplane without rudder, aileron, and elevator control. In the performance of his advisory role, the comptroller must make full use of the mechanics of the control systems in order to provide the commanding officer with useful facts and considered recommendations upon which to base decision and action. The commanding officer will need facts that allow him to adequately review operating performance and spot variances or breakdowns in operations; that compare long and short term trends in accomplishment in light of the utilization and status of funds; that illustrate comparative performance of similar operations at different points in the organization; that present the financial condition and the sources and uses of the funds employed. It evolves therefore that the

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<sup>1</sup>U.S. Bureau of Naval Personnel, Financial Management in the Navy, Navper 10792, (Washington: Government Printing Office, 1956), p. 33

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THE UNIVERSITY OF CHICAGO

THE UNIVERSITY OF CHICAGO  
CHICAGO, ILL.

PROFESSOR OF PHYSICS  
UNIVERSITY OF CHICAGO  
CHICAGO, ILL.  
DEAR SIR  
I have the honor to acknowledge the receipt of your letter of the 10th inst. and in reply to inform you that the same has been forwarded to the proper authorities for their consideration. I am, however, unable to say whether or not they will be favorable to your proposal. I am, nevertheless, very glad to hear that you are interested in the subject, and I am sure that your efforts will be successful in the end. I am, Sir, very respectfully,  
Yours truly,  
J. A. R.

J. A. R.  
CHICAGO, ILL.

basic task of the comptroller is to collect, analyze, and interpret these essential facts, to present them in a manner which will assist in correct decisions, and to provide a mechanism through which proper allocation and effective control may be exercised over the resources entrusted to the command.

The proper employment of controls can provide answers to the following needs of any organization:

1. What is to be done (objectives).
2. How the work is to be done, how it is to be divided, and who will do it (plans, policies, and procedures).
3. When the work is to be done (premises, planning, and budgets).
4. How well the work should be done (standards).
5. How well the work is done (appraisal of results).<sup>2</sup>

To obtain these answers effectively, it can be seen that a few simple ideals must be achieved. It is necessary that any control system enjoy the full support of top management; that there is a definite fixing of responsibility built within the structure of an adequate organization; that delegation of authority and accountability is commensurate with responsibility; that there is a satisfactory accounting system which provides a comparison of performance with plans--and lastly, that there is a liberal availability in the command of common sense judgement.

#### The Comptroller's Role

The comptroller's role in the sphere of controls is awkward to define--he does not control but rather furnishes the control

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<sup>2</sup>Frank A. Lamperti and John B. Thurston, Internal Auditing for Management, (New York: Prentice-Hall, Inc., 1953), p. 9



mechanisms for financial management; he is not an accountant, nor a statistician, an efficiency expert, or a prophet. He is something of each of these, and yet something apart from all of them. He is not a "specialist" for he owes most of his ability to the maintenance of an unspecialized and activity-wide viewpoint; yet he must administer effectively a pattern of fact-gathering, interpretation, and analysis of operating results so as to provide management with a constant stream of information relevant to decision making, and to press for decisions and action on the issues raised.<sup>3</sup>

A trite but descriptive analogy has been drawn between the role of the comptroller and the role of the navigator of a ship at sea. Both occupy similar advisory positions. At sea, when a harbor is sighted in the expected direction at the expected time, it is not particularly surprising because the progress of the ship has been under control throughout the duration of the journey. The navigator has made full use of the controls available to him--maps and charts upon which to plot the course to be followed; position checks with sextant or Loran; avoidance of dangers by warnings given by such devices as lighthouses, buoys, radio signals, weather information, radar and the like. He has the Pitometer log to give him his speed and distance travelled; constant supervision of the track with the Dead Reckoning Tracer; and the anemometer gives him wind velocity. Data available on the oceanic currents

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<sup>3</sup>William J. Vatter, "Education for Controllershship," Navy Comptroller Review, April 1957, p. 4



allows him to account for drift and the engineers keep him advised as to fuel consumption.

Without such controls, the navigator would know the planned destination and the desired time of arrival but would have no idea of the impact of the winds and currents on his progress towards the goal or the magnitude and direction of the correction required to get back on course. By using the controls available, the navigator can analyze his position, determine the changes in course and speed necessary to meet the desired schedule, and recommend to the commanding officer his considered opinion as to what action should be taken. The commanding officer then decides what action shall be taken on the advice given by the navigator.

So with the comptroller--but with a more complex mechanism to operate. Variables which affect progress are more numerous and less predictable. Position and track are less easily determined. Often he will find himself at the mercy of forces which he can neither resist nor direct without adequate controls. Even with controls, precise navigation is still impracticable but the comptroller can maintain a relatively accurate track by dead reckoning and piloting. Controls will tell him what is to be done, how and by whom, when the work is to be done and in what manner. Timely comparison of the results with the approved plan will then permit the comptroller to recommend to the commanding officer the adjustments which he considers are necessary to eliminate variances and return to the plan. In some instances, the variances from the plan may indicate that the plan itself is inadequately conceived



and perhaps the recommendation should be made to change the overall plan or portions thereof. Such decisions are made by the commanding officer on the advice given by the comptroller.

### Controls Available to the Comptroller

What are the controls available for utilization by the comptroller? First it must be understood that the size and complexity of the organization's operations will likely determine the number and type of controls used. Controls should be designed to meet the needs of the station and care must be exercised to establish only those which the nature and size of the command warrants. A necessity for one station may well be gross extravagance at another station.

Secondly, the comptroller benefits and participates in many forms of control germane to any well managed activity but which are not directly associated with the financial areas within his primary purview. Illustrative of these activity-encompassing controls are such standards as station policies, procedures, and methods, sound organization, adequate supervision, and within the military, customs, traditions, and usage.

It is within the area of financial management that the comptroller is instrumental in the employment of controls. (The phrase "employment of controls" is used herein deliberately to delineate the staff function from line control). The comptroller has many details to consider in the daily routine of promoting effective and proper utilization of funds and in insuring compliance



with the procedures and directives governing such funds. Many aspects of the various forms of control are utilized in the quest for economy of effort and funds and it is beyond the scope of this treatise to attempt to pinpoint the details of these controls. For the purposes of this discussion the fundamental facets of the comptroller's responsibilities lend themselves nicely to correlation in four major control groupings, namely: (a) budgeting, (b) accounting, (c) reporting, and (d) internal review. It is within these four groupings, that the comptroller accomplishes his major advisory role to command.

### Budgeting

Budgeting is the function most commonly associated with the naval comptroller but it is necessary to emphasize that the comptroller does not make the budget--this is the province of the commanding officer and his key line subordinates. The comptroller is in charge of the procedure by which the budget is developed and executed.

The keystone of any system of financial management in the navy is the budget--the anticipated results of operations for a given future period reduced to, and expressed in financial terms. Much has been written on the making of budgets. From a practical standpoint the budget reflects a combination of the records of past performance adjusted for present conditions and surveyed in the light of future requirements. An adequate budget has as its genesis the well coordinated planning of the operations inherent



in the fulfillment of the objectives of the command. Consideration must be given to the competing demands of the various operating elements of the station and decisions made that promise the most effective allocation of anticipated funds. As noted by one authority:

Budgetary procedures are the most important means of translating questions of adequacy into questions of efficiency. The budget, first of all, forces a simultaneous consideration of all the competing claims for support. Second, the budget transports upward in the administrative hierarchy the decisions as to fund allocation to a point where competing values must be weighed, and where functional identifications will not lead to a faulty weighing of values.<sup>4</sup>

A plan is not necessarily co-existent with a formalized budgeting program. There are naval activities in which plans for the future are highly indefinite, more so than necessary even in this unsettled period where financial support for our Shore Establishment is, if nothing else, unpredictable. These activities are often infected with the virus of a "what's the use" attitude and are simply rolling with the punch--where, how, why, and when, are questions decided from day to day as the exigencies of the situation demand.

Difficult as it is to predict future availability of funds within the framework of governmental budgeting, a job well planned is half done. A budget should be predicated upon conditions which are expected to exist during the period under consideration. Thus a degree of flexibility must be built into any budget to minimize

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<sup>4</sup>Herbert A. Simon, Administrative Behavior, (New York: The MacMillan Co., 1954), p. 214



the vicissitudes of the unexpected. A knowledge of what can be done and what in all probability will be done are both essential to good budgeting. The former must serve as a basis for the control of performance; the latter as a basis for the correlation and coordination of operations.<sup>5</sup>

The budget is the only place where all the station's plans and programs come together at one time. Here the dollar sign affords its usefulness as a common denominator and assists in the determination of priorities. The key person in effective budgetary procedure is the comptroller. He will normally initiate the call for estimates for future budgets and coordinate and correlate the preparation thereof; translate approved funding allocations into the predetermined plan; and measure actual performance against the plan. In so doing, he should:

1. With the guidelines of policy and anticipated operations in mind, prepare all necessary estimating forms and schedules and forward them to the various budgeting echelons along with adequate instructions for their use.

2. Provide other management personnel with such analyses of past operations as will be useful in determining future plans and assist them in the interpretation of these data.

3. Translate proposed policies and plans into their detailed requirements and their probable effect on operations.

4. Receive and review all preliminary estimates from the

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<sup>5</sup>J. Brooks Heckert, Business Budgeting and Control, (New York: the Ronald Press Co., 1946), p. 10

After the completion of the preliminary work, the  
author has been able to obtain a number of new  
data which are of great interest and value.

The following are the results of the work:

1. The first part of the work is devoted to the study of the  
general properties of the function  $f(x)$  and to the  
determination of its limits at the points of discontinuity.

2. The second part of the work is devoted to the study of the  
properties of the function  $f(x)$  and to the determination of its  
limits at the points of discontinuity.

3. The third part of the work is devoted to the study of the  
properties of the function  $f(x)$  and to the determination of its  
limits at the points of discontinuity.

4. The fourth part of the work is devoted to the study of the  
properties of the function  $f(x)$  and to the determination of its  
limits at the points of discontinuity.

5. The fifth part of the work is devoted to the study of the  
properties of the function  $f(x)$  and to the determination of its  
limits at the points of discontinuity.

6. The sixth part of the work is devoted to the study of the  
properties of the function  $f(x)$  and to the determination of its  
limits at the points of discontinuity.

management group in order to correlate the various competing demands for funds. Factors to be considered in this review should provide answers to such questions as:

- (a) Does the proposed program of work indicate that it is premised on a sound plan?
- (b) Is there a realistic forecast of material and services needed?
- (c) Do the estimates of financial obligations appear accurate?
- (d) Is there an internal balance of all elements encompassed in the objective and are these elements consistent with established plans and policies?
- (e) Do the estimates conform with the policies of the commanding officer? The Management Bureau? The Navy Department?
- (f) Is there evidence that due consideration has been given to long range requirements?
- (g) Can the estimates be favorably compared with the present and past budgets as to validity and appropriateness?
- (h) Are the anticipated sources of financing compatible with the bureau guidelines as ascertained by current instructions and knowledge of past experience?
- (i) Have the budgeting elements so organized their written justifications as to facilitate either a summary review of major considerations or a detailed examination



of the estimate?

- (j) Do the estimates properly indicate wide participation by operating personnel?<sup>6</sup>

Coordination and tactfulness is required in this phase since seldom are sufficient funds anticipated to permit all elements the level of funding which they propose.

5. Upon entering the execution phase of the budget, insure that the commanding officer and key personnel are kept fully advised as to the progress against the plan. Variances must be analyzed and interpreted relative to their importance and as to cause and effect.

6. Initiate prompt recommendations as to revision of the budget as circumstances require in order to maintain a workable and effective program.

The budget acquires its full control aspect upon entering the execution phase. The planning of the operation that is finally translated into the budget is a foundation for control but is not a control in itself. Budgetary control commences upon the receipt of authorized allotments of funds matching and supporting the approved proposals which were included in the budget estimates submitted to higher authority. After the necessary changes are made in plans and programs to align them with their funding support, the commanding officer will normally use the budget as a

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<sup>6</sup>A. Rex Johnson, "The 12 Inch Rule of Budgeting," (Based on selected excerpts from a lecture series presented to the Post-graduate Comptrollership Class, George Washington University, Fall Semester, 1957).



performance standard and hold each of the heads of departments responsible for the fulfillment of his specific part of the budget program. Each department head can be expected in turn to hold his subordinates for their specific performances and so on down through the management levels to the junior officer who has a specific task expressed in the budget plan.

Supervision of budget execution is a responsibility of the comptroller; the task of budget enforcement is not. He may press for decisions or action from the operating personnel on the issues raised, but what the nature of that action ought to be and how the desired enforcement should be attained, are not direct responsibilities of the comptroller. He cannot serve effectively if he attempts to take over the responsibilities upon which he is supposed to check and report--a pair of scales cannot weigh itself.

It is in the area of budget execution that the second of the major control groupings--accounting--performs a valuable function.

### Accounting

Accounting is basically an evolution from the notion of "counting one's change" after a transaction involving a purchase and a sale. When these transactions become too numerous and complex to retain in the immediate memory, proper control is founded in some type of record keeping. With such records, the extent and validity of charges may be carefully examined and accountability established.

Accounting is the bench mark around which revolve all the



activities of the comptroller; it provides the basic support for the controls which he utilizes. As one author states:

Supervision is unquestionably the foundation of all controls. Next to it comes general accounting which ranks as the oldest and most common form of management control. It is also one of the most widely-used techniques for coordinating and controlling operations.<sup>7</sup>

In the Navy, the accounting system is essentially standardized and, along with the format of the budget estimates, the account classifications follow the existing pattern of organization. Consequently for each program in the budget, actual results for a given period can be compiled, aligned with budgetary figures, and the two sets of figures then form the basis for comparative analysis of performance. The accounting system deals with a large mass of detail which has considerable relevance to the actual handling and carrying on of operations from day to day. The way in which things are done (in terms of standard operating procedures) is an inseparable part of both the process of management and the process of accounting. The data upon which a large part of the fact-finding associated with managerial decisions is based are largely accounting data.<sup>8</sup>

The major portion of the factual data utilized by the comptroller in his appraisal of performance is collected in the accounting area. Internal controls in this area are too numerous and detailed for discussion in this paper. It should be noted, however, that they have evolved over long periods of time and are

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<sup>7</sup>Lamperti and Thurston, op. cit., p. 24

<sup>8</sup>William J. Vatter, Managerial Accounting, (New York: Prentice-Hall Inc., 1950), p. 97

The first of these is the fact that the system is not self-sufficient. It is necessary to import a large quantity of raw materials and components from abroad.

The second is the fact that the system is not very flexible. It is not able to cope with changes in demand or in the technology of production.

The third is the fact that the system is not very efficient. It wastes a large amount of resources and produces a high level of pollution.

The fourth is the fact that the system is not very reliable. It is prone to breakdowns and accidents.

The fifth is the fact that the system is not very safe. It poses a serious risk to the health and safety of the workers.

The sixth is the fact that the system is not very clean. It produces a large amount of waste and pollution.

The seventh is the fact that the system is not very green. It is not friendly to the environment.

The eighth is the fact that the system is not very fair. It is not equitable in the distribution of resources and income.

The ninth is the fact that the system is not very just. It is not fair to the workers and the community.

The tenth is the fact that the system is not very honest. It is not truthful in its accounting and reporting.

The eleventh is the fact that the system is not very open. It is not transparent in its operations and decision-making.

The twelfth is the fact that the system is not very democratic. It is not responsive to the needs and wishes of the workers and the community.

The thirteenth is the fact that the system is not very ethical. It is not guided by moral principles and values.

The fourteenth is the fact that the system is not very sustainable. It is not able to meet the needs of future generations.

The fifteenth is the fact that the system is not very resilient. It is not able to withstand shocks and stresses.

The sixteenth is the fact that the system is not very robust. It is not able to cope with uncertainty and risk.

The seventeenth is the fact that the system is not very adaptable. It is not able to change and improve.

The eighteenth is the fact that the system is not very innovative. It is not able to create new products and services.

The nineteenth is the fact that the system is not very creative. It is not able to think and act in new and original ways.

The twentieth is the fact that the system is not very imaginative. It is not able to envision and create a better future.

designed primarily to maximize economy and efficiency and to minimize errors, carelessness, fraud, and waste in the conduct of operations. The comptroller exercises general supervision over these controls--the daily routine is the responsibility of subordinates in his staff with a condensed flow of pertinent data reaching the desk of the comptroller.

Important as accounting data is, due consideration must be given to the fact that it is historical information and is of limited value to operating management unless it can present timely measurement of present progress and be used as a guide to the future. Constant attention is required to insure that the financial information being disseminated to management is maintained current. It is generally true in managerial accounting that incomplete details of an operation, obtained promptly, are of more use than the exact detailed information that is available only after a considerable lapse of time. The key factor in all fiscal data is the determination of whether or not the operation is proceeding according to plan and if not, what action is indicated by the variances therefrom. Consequently, for command purposes, the comptroller must acquire the art of striking a balance between theory and expediency in the application of accounting techniques. When necessary, he must learn to compromise where means and methods, rather than basic principles, are at issue. It is often desirable to use incomplete data, if they can be had promptly enough to serve the managerial purpose at hand--"it is better to prop the barn door shut with a handy fence rail, than to wait for someone to



bring a lock from town."<sup>9</sup>

This emphasis on the need for timely information is not to be construed as alleviating the requirement of exactness and completeness necessary to establish accountability. However, short-cut procedures can and should be utilized to indicate trends or indices of current operations. In indicating the status of current operations, proper reports promptly issued are indispensable to the intelligent and orderly management of the operations.

### Reporting

This is a topic upon which volumes have been written. Of necessity, this discussion will be limited to those objectives which are desired in internal financial reporting.

The first step in developing an adequate internal information service or in checking the adequacy of the existing service is to define in reasonably specific terms the kinds of information which management needs. Internal control is constructed to a large extent around the flow of orders and instructions in one direction and the reverse flow of reports and comments in the other. It therefore behooves the comptroller to maintain a financial reporting system which will convey essential facts without extraneous and distracting masses of figures. They should be written in terms easily understood by the recipients. The records maintained by the comptroller's staff provide a wealth of detailed fin-

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<sup>9</sup>Ibid., p. 106

1. The first part of the paper

is devoted to the study of the properties of the function  $f(x)$  defined by the series  $\sum_{n=0}^{\infty} a_n x^n$  where  $a_n = \frac{1}{n!}$ . It is shown that  $f(x)$  is an entire function and that  $f(x) = e^x$ . The second part of the paper is devoted to the study of the properties of the function  $g(x)$  defined by the series  $\sum_{n=0}^{\infty} b_n x^n$  where  $b_n = \frac{1}{n!}$ . It is shown that  $g(x)$  is an entire function and that  $g(x) = e^x$ .

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Received July 1927

ancial information from which pertinent facts are assembled in an orderly manner and communicated to management in the form of reports.

The comptroller must develop a balanced structure of basic reports covering the various activities of the command which meet the needs peculiar to the management group at his station. These regular reports should be supplemented with "on occasion" or special reports, formal or informal, regarding pertinent current problems or projects. Formal reports required by higher authority permit a modicum of initiative in their timing and preparation and are administered in such a routine fashion that nothing would be gained by including them in this discussion.

Reports are useful in budget formulation; they are important in budget presentation; they are absolutely necessary in budget execution.... Once the operating plan is put into effect it becomes necessary to provide management with a continuing service of intelligence. Unless management is furnished the tools by which it can evaluate the progress of its plans within the framework of the budget, it will have only a vague notion of the degree to which objectives are being accomplished.<sup>10</sup>

The keystone around which the comptroller will construct his reporting system is the budget. However, the resulting communications must not be stereotyped--individually tailored reports are usually the most helpful to management and the most frequently used. Basic financial reports in themselves are static in that they reflect the status of funds at a given time but do not show how that status was achieved. It is in the analysis and interpre-

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<sup>10</sup>Financial Management in the Navy, op. cit., pp. 156-157



tation of these strictly financial reports that the advisory role of the comptroller is best exemplified and in which financial reports acquire a dynamic aspect. From the data collected by his staff, the comptroller prepares his determinations on the progress of actual operations against the stated plan, and develops such indices or trends as are applicable. He then bases his comments and recommendations upon these indications and forwards them to that point in the management echelon where they can be promptly and effectively utilized. He should consult frequently with officers in the operational areas to learn what they need in the way of information and then take steps to provide that information. In so doing, the comptroller will also be able to keep current on all facets of the command's operations from a first hand view--not by merely interpreting factual historical data.

The reports which the comptroller presents to management must fulfill the requirements of good communications whether such reports are formal or informal, verbal, written, or graphically presented. A widely used and practicable technique of reporting to top management is the "report by exception" wherein key personnel are primarily kept closely informed of meaningful variances from the plan. This permits a consequent reduction of the volume and frequency of "routine" reports.

Reports are a working tool of good management--good reports are evidence of good management. Common-sense underlies the criteria pertaining to a good report. They may be viewed as an application of the golden rule--they should contain that which one



would need if he were to be the user of the report being prepared. These criteria may be summarized briefly as follows:

1. Reports must present facts.
2. Reports must be directed at a specific purpose.
3. Reports must be simple and concise.
4. The facts must be accurate.
5. The content of a report must govern the form.
6. The design of a report must focus attention on the important facts.
7. Comparisons must be shown wherever possible.
8. The frequency of a report must be governed by content.
9. Reports must be presented promptly.
10. Reports must accomplish the positive act of communication.
11. Reports must be stated in the language of the user.
12. Reports must tell their own story.
13. Reports must relate facts with responsibility for accomplishment.<sup>11</sup>

The comptroller should frequently review the reports he initiates to insure that they are still needed and fulfill the criteria of reporting noted above. Reports have a tendency to increase in numbers out of proportion to the need. It is often the case that a report which has outlived its usefulness goes on and on resulting in needless time and expense in its preparation

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<sup>11</sup>Mason Smith, "Internal Reports," Corporate Treasurer's and Controller's Handbook, Edited by Lillian Doris, (New York: Prentice-Hall, Inc., 1951), p. 806



and review.

This reviewing of reports is a facet of the fertile area for improvement in management control afforded by the last of the four groupings of controls utilized by the comptroller, namely, internal review.

### Internal Review

Of especial value to the comptroller in his control function are the services rendered by the assignment to his staff of a separate assistant for internal review whose function is to provide an independent appraisal of accounting, financial, and other practices and procedures designed to protect management, and to advise as to their effectiveness. This function will have to be performed by the comptroller himself if the size of the command does not warrant the assignment of a separate assistant. It must be understood at this point that internal review at the station level does not constitute internal audit as defined by the Department of the Navy. Internal review may assume some of the features of internal auditing but it is not a substitute for the independent appraisal audit performed by Navy Area Audit Offices under the auspices of the Comptroller of the Navy.

The objective of internal review is to assist management in achieving the most efficient administration of operations. This objective has two major phases:

1. The protection of the interests of the command including the pointing out of existing deficiencies to provide a basis for



appropriate corrective action. The attainment of this objective involves such activities as ascertaining:

- (a) The degree of reliability of accounting and statistical data as developed.
- (b) The extent to which the assets are properly accounted for and safeguarded.
- (c) The extent of compliance with established policies, plans and procedures.

2. The furtherance of the interests of the command, including the recommendation of changes for the improvement of various phases of the operations. The attainment of this objective involves such activities as the reviewing and appraising of:

- (a) The policies and plans of the command in the light of the related data and other evidence.
- (b) The internal records and procedures in terms of their adequacy and effectiveness.
- (c) The performance resulting from present policies, plans, and procedures.<sup>12</sup>

In performing this valuable function, the assistant for internal review must have a full understanding of management's problems and realize that his function is a part of the line of communication between the policy making level and the scene of action. To provide management with a valid and objective basis upon which to appraise operational effectiveness, he should be

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<sup>12</sup>W. A. Walker and W. R. Davies, Industrial Internal Auditing, (New York: McGraw-Hill Inc., 1951), p. 5



authorized free access across departmental lines. This function is useful in performing special analyses in the financial areas; in the trouble shooting of bottlenecks and instances where fraud, theft or collusion are suspected; and in the follow-up of deficiencies noted and assistance in their correction. Internal review is basically a type of control which functions by measuring and evaluating the effectiveness of other types of controls. Being independent and objective, this function can be used to disseminate the wishes of management down to the point of work, and at the same time, it can be used to appraise and evaluate for management the effectiveness of its various administrative media. It deals primarily with accounting and financial matters but it may also properly deal with matters of an operating nature--performing those "birddog" activities that the commanding officer would perform if he had time.

The first part of the paper is devoted to a general discussion of the problem of the existence of a solution of the system of equations (1) for arbitrary values of the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ . It is shown that the system has a solution if and only if the following conditions are satisfied:  $\alpha + \beta + \gamma + \delta + \epsilon + \zeta + \eta + \theta + \iota + \kappa + \lambda + \mu + \nu + \xi + \omicron + \pi + \rho + \sigma + \tau + \upsilon + \phi + \chi + \psi + \omega + \varphi = 0$  and  $\alpha^2 + \beta^2 + \gamma^2 + \delta^2 + \epsilon^2 + \zeta^2 + \eta^2 + \theta^2 + \iota^2 + \kappa^2 + \lambda^2 + \mu^2 + \nu^2 + \xi^2 + \omicron^2 + \pi^2 + \rho^2 + \sigma^2 + \tau^2 + \upsilon^2 + \phi^2 + \chi^2 + \psi^2 + \omega^2 + \varphi^2 = 0$ . The second part of the paper is devoted to a detailed study of the properties of the solution of the system (1) for arbitrary values of the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ . It is shown that the solution of the system (1) is unique and depends continuously on the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ . The third part of the paper is devoted to a study of the properties of the solution of the system (1) for arbitrary values of the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ . It is shown that the solution of the system (1) is unique and depends continuously on the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ .

The fourth part of the paper is devoted to a study of the properties of the solution of the system (1) for arbitrary values of the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ . It is shown that the solution of the system (1) is unique and depends continuously on the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ . The fifth part of the paper is devoted to a study of the properties of the solution of the system (1) for arbitrary values of the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ . It is shown that the solution of the system (1) is unique and depends continuously on the parameters  $\alpha, \beta, \gamma, \delta, \epsilon, \zeta, \eta, \theta, \iota, \kappa, \lambda, \mu, \nu, \xi, \omicron, \pi, \rho, \sigma, \tau, \upsilon, \phi, \chi, \psi, \omega, \varphi$ .

## CHAPTER IV

### THE COMPTROLLER AS A MEMBER OF TOP MANAGEMENT

By the very nature of his work, the comptroller is a member of top management. As financial advisor, he operates in a staff capacity and is responsible to the commanding officer in the same manner as the Comptroller of the Navy is responsible to the Secretary of the Navy. In order that the greatest value may be realized from the staff services performed, he should report directly to the activity commander.<sup>1</sup>

The attributes of a good staff officer are required of a comptroller to the same extent that they are in any staff position. He has no authority which has not been delegated to him by the commanding officer. His participation in the management of the station is likewise at the discretion of the commanding officer. The discussion which follows is designed to support the premise that the comptroller can and should perform an active and important role in top management--that he should not be restricted to mere bookkeeping duties.

Management has been defined by one authority as the art of planning, doing, and seeing.<sup>2</sup> This concise definition incorpor-

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<sup>1</sup>Bureau of Naval Personnel, Financial Management in the Navy, (Washington: Government Printing Office, 1956), p. 32

<sup>2</sup>Richard N. Owen, Introduction to Business Policy, (Homewood, Illinois: Richard D. Irwin Inc., 1951), p. 55



ates a wide range of activities into one simple statement which lends itself well to cataloguing the management problems facing all commanding officers. "Planning" is a continuing process of predicting needs, setting goals, and determining who will have to do what, when and where in order to reach these goals and thus satisfy the needs. The prediction of needs is derived from a measurement of pertinent past experience, known situations, and probable developments. "Doing" is the province of the operating or line personnel once the determinations involved in planning can be brought to fruition. It consists of performing the work necessary to accomplish the stated goals. "Seeing" is the element of control--the comparison of actual results with predicted and desired standards of performance. It is in the area of planning that the comptroller is uniquely equipped to provide extensive advice particularly responsive to the needs of management. This aspect will be discussed at length; "seeing and doing" need no further discussion since the former has been covered previously and the latter is for all practical purposes, a line responsibility.

#### Factors Involved in Planning at a Field Activity

Sound planning is basic to the good management of any organization or the accomplishment of any work. Planning deals with predictions, and therefore assumptions, and thus it is one of the most difficult of management tasks. This is particularly true in the military since the demands imposed thereon are subject to many



intricate outside influences whose direction and impact are difficult to measure accurately. Rapidly changing world situations, the need to balance military capability with a sound economy, and the scope and complexity of the assigned mission are some of the factors which complicate the planning job. However, the job must be done. In fact, the very complexity of the task makes planning all the more essential. Without sound, coordinated, and documented plans based on measured assumptions, the station has no clear-cut course to follow. Lacking such a course, the station will devote an undue amount of time in solving immediate problems, coping with day-to-day emergencies and making frequent changes in direction. When this involves only a few people and a few dollars it is wasteful; when it involves hundreds of people, a large capital investment, and, most importantly, military preparedness, its seriousness can hardly be overemphasized.

The field activity labors in a difficult planning environment. The support level of the station is subject to the vagaries of changing political and economic scenes, and abrupt and often seemingly arbitrary decisions from higher authority which drastically affect personnel and funding levels. On occasion, there is even uncertainty as to the mere existence of the station during the future period for which plans are being formulated. Direction from the management bureau is hampered by the same uncertainties. Often with only vague information about future workload and base loading, stations are required to plan for years in advance such things as the acquisition of real estate and equipment, construction



or repair of facilities and the training and recruitment of personnel. Unless the station has at least a general knowledge of the programs it will be assigned for these future years, the estimate of these facility requirements will represent only hopeful conjecture. It is apparent that the station is highly dependent upon the bureau for the establishment of guidelines in these areas in order to formulate any semblance of sound long range plans.

Similar problems but of smaller magnitude are involved in the short range (current and budget year) plans. These short range plans are based on past accomplishments of the station, station capability, realistic personnel levels, available and proposed funds, and the stated needs of the management bureau. The needs of the bureau will normally be communicated to the station some months in advance of the budget year and will contain the proposed workload and funding level for the period under consideration. The impact of these proposals on the station should be determined by the commanding officer and his key personnel. This will require analysis and interpretation of the plan by program or project and by department. The proposals should be examined as to their estimated effect on the amount of workload--on land, buildings and equipment, including storage capacity--on material--and on manpower numbers, skills, and professions. Requirements for increases in personnel, reductions in force, anticipated carry-over funds or necessary additional funds, and comparison of the plan with station capabilities should be considered in analyzing and interpreting the plan.



### The Importance of the Dollar in Planning

The dollar sign is prominent in all phases of the determinations required in the planning noted above. The resulting overall plan reduced to dollar terms comprises the framework around which the formal budget estimates are constructed. After being "marked up" by the management bureau, these estimates constitute the station's budget for the period concerned. This budget is no better than the plan upon which it is based.

In itself, the dollar sign can be regarded as a symbol of planning--a symbol which measures effectiveness and rates accomplishments. It can often predict pitfalls far enough in advance for corrective action to be taken. It is frequently the determining factor of whether a plan is feasible or not. Good financial planning must be based upon forward planning and control and is a way for modern management to understand itself. A way to gain mastery of what it is working with; to make judgements of what it is going to do; and to avoid the temptation of trying to do too much or the wrong thing or the inappropriate thing.<sup>3</sup>

The usefulness of financial management as a part of overall management has become more and more recognized at every level. Budgeting and budgetary control have become an indispensable part of total management. At no time has this been more important than at the present.<sup>4</sup>

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<sup>3</sup>W. F. Crawford, "The Controller Has the Key." The Controller, March 1956, p. 100

<sup>4</sup>W. J. McNeil, Assistant Secretary of Defense, (Statement from an address before the Accountant's Association on October 8, 1957).



The effectiveness of the financial management of a naval activity cannot be measured in the simple profit test of industry--here the evaluation is predicated on how successful management is in accomplishing its objectives within the limitation of funds allocated. This requires the development of sound plans carried out in the most efficient and economical manner possible. To accomplish these objectives in such a manner calls for the full-time attention of the commanding officer. Since it is impracticable for the commanding officer to so devote his time, a responsible member of top management who is fully appraised of the mission of the station and its objectives, policies, and procedures should be assigned to coordinate the manner of accomplishment. It is the contention of the writer that the comptroller is best suited for such an assignment.

#### The Comptroller as a Member of the Planning Team

The comptroller should be a member of the top management planning team acting with and for the commanding officer because:

1. He is the only key subordinate other than the executive officer whose viewpoint is broad--the only one who has no "axe to grind" for a specific sphere of operations.

2. He has at his fingertips, a wealth of information essential to sound planning.

3. By virtue of his position he is in constant contact with a myriad of details relevant to the conduct of operations, the status of maintenance and repair, and the capital program of



the station.

4. Of necessity, all planning must revolve around and be predicated upon the anticipated funding level. The comptroller is technically best qualified to ascertain the financial feasibility of plans and the impact of projected funds on the objectives entailed in the plans.

5. He has the task of comparing performance against the resultant plan. For effective correlation, he should be an active party to the entire planning evolution.

The comptroller cannot be limited to the function of "pricing out" plans originated by others. To so limit him negates a major portion of the valuable assistance he can offer in his advisory role. From a financial standpoint, he comes into contact with more phases of the station's operations than any other officer. Being called upon to interpret operations, past and present in financial terms, the comptroller is in a position to know most about the station's posture in the light of future requirements. Since he reports directly to the commanding officer, he can assure continuity and uniformity in the development of plans and insure their being in accordance with the underlying policies of the commanding officer. To perform his task, the comptroller must be fully conversant with all problems affecting the financial condition of the station as they develop--and be included in any policy making conferences which are conducted to seek the solution to such problems.

With the confidence and support of the commanding officer,



the comptroller can be of real service to the command. He is not a superman; no one person has a monopoly on all information or good ideas. Nor does the mere designation of an officer to the job automatically provide an effective service. The officer so assigned must be chosen with care. He should be a capable officer with a background of experience compatible to the mission of the station and he should preferably be in the line of command for the particular station. He does not however, function in a line capacity. Any intrusion into command areas by the comptroller is diametrically opposed to his staff role and is the result of some human failing--not a failing in the concept of comptrollership itself. Serious pitfalls are encountered when any staff member oversteps his authorized advisory limits. If the comptroller steps over into the area of line operations armed with data from the budget, he immediately breaks down an adequate control system. No comptroller should permit himself to be placed in a position of replacing top management--of giving final approval to budgets or of directing action based on budget findings. An overzealous comptroller can cause a great deal of unnecessary mischief in this field.<sup>5</sup> Comptrollers however are no more guilty of this breach of good organization than any other staff member. Usurption of undue authority is usually the result of human frailty rather than in the concept of staff service itself.

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<sup>5</sup> A. Rex Johnson, "Some Basic Concepts in Budgeting," Navy Comptroller Review, February 1957, p. 14



### Conclusion

The commanding officer of a field activity should consider himself fortunate if he has a competent comptroller to assist him in the complex financial aspects of his command. Properly utilized, the comptroller's assistance can be of inestimable value in the planning, controlling, and coordinating of the station's operations. The commanding officer is relieved of the burden of financial details so that he may devote his time more profitably in the areas of policy and decision.

Before determining a plan of operation, top management must consider the impact of alternative objectives, policies, and techniques for making the plan effective. In choosing among these alternatives, anticipated funding requirements constitute a major consideration. The comptroller's experience with the results of similar plans and the cost factors involved in their execution qualify him to weigh the feasibility of the alternative plans from a financial point of view. As an actively participating member of the planning team, the naval officer comptroller brings to bear not only his specialized financial knowledge but also extensive military experience compatible to the mission of the station. This is a valuable combination and certainly should not be nullified by relegating the comptroller to the mere pricing out of plans originated by others. Fully appraised of the facets embodied in the approved plan, he can more adequately carry out his managerial control function.

THEORY

The first part of the paper discusses the theoretical background of the research. It begins with a review of the literature on the topic, highlighting the key findings and gaps in the current knowledge. The theoretical framework is then presented, which guides the research design and analysis. The second part of the paper describes the research methodology, including the study design, data collection, and data analysis. The results of the study are then presented, followed by a discussion of the findings and their implications. The paper concludes with a summary of the main points and suggestions for future research.

Plans are not self achieving. Events must be compelled to conform to the program chosen. As a key member of the inner group which decides the station's policies and plans, the comptroller can fulfill his coordinating responsibilities in such a manner as to effectively assist his commanding officer in the efficient, economical, and timely attainment of assigned missions.



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REPORT

1914

The following report was prepared by the committee on the subject of the proposed new law, and is submitted to the assembly for its consideration. The committee has the honor to acknowledge the assistance of the various departments of the government, and the cooperation of the various officers and employees of the same, in the preparation of this report. The committee has also the honor to acknowledge the assistance of the various departments of the government, and the cooperation of the various officers and employees of the same, in the preparation of this report. The committee has also the honor to acknowledge the assistance of the various departments of the government, and the cooperation of the various officers and employees of the same, in the preparation of this report.

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General Notes

1. The first part of the manuscript is a list of names of persons who were present at the meeting of the Board of Directors of the American Museum of Natural History, held on the 1st of January, 1871.

Names of Persons Present

1. Dr. J. A. Allen, President of the Museum.  
2. Dr. J. B. Allen, Secretary of the Museum.  
3. Dr. J. C. Allen, Treasurer of the Museum.  
4. Dr. J. D. Allen, Member of the Board of Directors.











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